

MINUTES

KANSAS BUSINESS HEALTH POLICY COMMITTEE

March 18, 2005

**Kansas Insurance Department
Topeka, Kansas**

MEMBERS PRESENT:

Scott Brunner, SRS
Representative Sue Storm, Shawnee Mission

MEMBERS ABSENT:

Insurance Commissioner Sandy Praeger
Pat Kaufman, Vice-Chair, Shawnee Mission
Representative Willa DeCastro, Wichita
Howard Fricke, Kansas Department of Commerce
John Naramore, Lawrence
Senator Ruth Teichman, Stafford

OTHERS PRESENT:

Karen Braman, Deputy Director, Governor's Office of Health Planning and Finance
Bob Day, Director, Governor's Office of Health Planning and Finance
Wendy Dressler, Governor's Office of Health Planning and Finance
Andrew Allison, Kansas Health Institute
Ken Daniel, Kansas Health Partners Benefit Association
Cindy Hermes, Kansas Insurance Department
John Moore, Lt. Governor
Alexander Domaszewicz (via phone), Mercer Consulting
Mark Whiting, Mercer Consulting
Andy Wedermyer, Olympic Financial Marketing
Barbara Langner, University of Kansas
Ira Stamm

Kansas Business Health Policy Committee
March 18, 2005
1:00PM – 3:00PM, Kansas Insurance Department

After introductions of Committee members and guests, Bob Day welcomed everyone.

Mark Whiting, Mercer, and Alexander Domaszewicz, Mercer, gave a presentation on Health Care Consumerism and Health Savings Accounts. There are many factors that drive healthcare cost increases. One factor is that consumers don't typically practice preventive care or make healthy lifestyle choices. Other factors include usage, economic pressures, inefficient delivery, need, and new potential/expectations. Health Savings Accounts (HSA) are savings/spending accounts held in trust, like an IRA. HSAs are triple tax-favored if certain conditions are met. Money can be taken out of an HSA for non-medical expenditures but it is subject to a 10% penalty and is taxable. Most HSAs exempt preventive care from the deductible. IRS Guidance 2004 defines what is allowed as "preventive care." There are tax implications after age 65 with the HSA - money can be taken out for income, however, the individual would pay income tax on it but would not be charged a penalty for withdrawal. Health Reimbursement Accounts (HRA) are similar to HSAs. HRAs are employer owned and only the employer would contribute to the account while HSAs are employee owned and the employer, employee or both can make contributions. HSAs are one option that could be offered through the BHP but we could run into adverse selection with that approach. The current tax credit would not apply to HSAs. Many employers are looking at other options to reduce the cost growth because they may not be able to offer coverage if costs continue to increase. Other trade-offs for increasing health insurance costs are real wage increases and 401k.

Next Meeting:

Thursday, June 23rd, 10:00AM – 12:00PM in the 3rd floor conference room of the Kansas Insurance Department (420 SW 9th Street, Topeka).

You may also check out our website at

http://www.ksgovernor.org/healthPlanning/workgroups_hp.html for scheduled meeting dates, times, and locations as well as past meeting agendas, minutes, presentations and handouts.